

Message Text

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12

ACTION ARA-20

INFO OCT-01 ISO-00 CIAE-00 COME-00 EB-11 INR-11 LAB-06

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FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 7655

INFO AMEMBASSY GUATEMALA

AMEMBASSY TEGUCIGALPA

LIMITED OFFICIAL USE SAN JOSE 2844

E.O. 11652: N/A

TAGS: ELAB, PINT, CS

SUBJECT: BANANA WRAP-UP

REF: (A) SAN JOSE 2625; (B) SAN JOSE A-89 OF
JULY 12, 1974

1. SUMMARY. GOCR-STANDARD DISCUSSIONS ON SELL-OUT
RESUME. THE BASE PRICE TO BE USED FOR DETERMINING
THE BANANA
EXPORT TAX IS STILL UNCLEAR AND LEGAL
CONTESTS AGAINST THE TAX HAVE BEGUN. UNITED IS BACK IN
OPERATION AFTER A DEBILITATING MONTH-LONG STRIKE.
END OF SUMMARY.

2. TALKS WERE RESUMED TODAY BETWEEN STANDARD FRUIT
REPRESENTATIVES AND THE GOCR OVER THE POSSIBLE PUR-
CHASE BY THE GOVERNMENT OF STANDARD'S HOLDINGS IN
COSTA RICA. DESPITE AN ARTICLE APPEARING IN
TUESDAY'S PRESS TO THE EFFECT THAT THE GOCE WOULD
DECIDE TODAY WHETHER OR NOT IT WOULD INDEED BUY OUT
STANDARD, SPOKESMEN FOR BOTH STANDARD AND THE GOCR
HAVE INFORMED THE EMBASSY CHARGE THAT THEY BELIEVE THEY ARE
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FAR FROM REACHING AN AGREEMENT ON TERMS OF PURCHASE

AND NEITHER PARTY FORESEE A RAPID SETTLEMENT. THE GOCR STILL SEEMS TO BE RELUCTANT TO GET INTO THE

BANANA BUSINESS. STANDARD, ON THE OTHER HAND, HAS CONVEYED THE IMPRESSION TO THE EMBASSY THAT IT WOULD LIKE TO GET OUT OF COSTA RICA AND IS VERY SERIOUS ABOUT ITS OFFER TO SELL.

3. A STANDARD OFFICIAL TOLD THE CHARGE YESTERDAY THAT STANDARD IS ASKING FOR \$19.3 MILLION. IT'S NOT CLEAR, HOWEVER, WHAT THIS AMOUNT WOULD COVER, I.E., WHAT ELSE BESIDES BOOK VALUE OF THE HOLDINGS. ACCORDING TO MINISTER OF ECONOMY, INDUSTRY, AND COMMERCE, JORGE SANCHEZ, THREE PRINCIPAL QUESTIONS WILL HAVE TO BE ANSWERED BEFORE A PURCHASE PRICE CAN BE AGREED UPON. THESE ARE: (A) WHAT IS THE ACTUAL BOOK VALUE OF STANDARD'S HOLDINGS? (ESTIMATES HAVE MOST RECENTLY BEEN BETWEEN \$8 TO 12 MILLION) (B) WHO SHOULD PAY THE LEGALLY REQUIRED TERMINATION BONUS (PRESTACIONES) TO STANDARD'S EMPLOYEES WHEN THE TRANSFER OF OWNERSHIP IS AFFECTED? (STANDARD WANTS THE GOVERNMENT TO ASSUME THIS BURDEN, THE GOVERNMENT DOESN'T AGREE. ONE NEWSPAPER ESTIMATE PLACES THE AMOUNT INVOLVED AT COLONES 10 MILLION, I.E. \$117 THOUSAND). (C) WILL THE GOVERNMENT REIMBURSE STANDARD FOR ALL OR ANY OF THE PAYMENTS MADE UNDER THE NEW EXPORT TAX AS STANDARD WANTS?

4. MEANWHILE, THE QUESTION OF WHAT BASE PRICE PER BOX WILL BE USED TO CALCULATE THE BANANA TAX IS STILL UNCLEAR. I.E. WILL IT BE THE PRICE PAID BY THE JOBBER IN THE US FOR THE FRUIT OR THE PRICE HE RECEIVES UPON SALE? WHAT HAPPENS IN THE CASE OF RETAILERS -- LARGE SUPERMARKETS -- WHICH PURCHASE THE FRUIT DIRECTLY? THE HEAD OF THE COSTA RICAN EXPORT PROMOTION CENTER, ENRIQUE GONZALEZ, IS CURRENTLY IN THE U.S., PRESUMABLY, TO GATHER INFORMATION ON THE MARKETING MECHANISM WHICH WILL BE USED BY THE GOCR IN CLARIFYING THIS QUESTION.

5. THE QUESTION OF THE LEGALITY OF THE TJWSN REGARDING LIMITED OFFICIAL USE

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LESS OF THE BASE, IS ALSO STILL UNDER DISPUTE. ON JUNE 15, UNITED SENT A BRIEF TO THE MINISTRY OF FINANCE COMPLAINING THAT THE TAX IS IN CONFLICT WITH THE TERMS OF UNITED'S UMBRELLA CONTRACT. THIS BRIEF IS BEING STUDIED BY THE MINISTRY'S LEGAL DEPARTMENT AND BY THE PROCURADURIA. COBAL HAS, APPARENTLY, SUBMITTED A SIMILAR BRIEF AND STANDARD IS PREPARING TO DO SO.

6. THE STRIKE AGAINST UNITED MVS, AS REPORTED, ENDED.
EXPORTS APPEAR TO BE BACK TO NORMAL LEVELS DESPITE
EARLIER REPORTS THAT THE MONTH-LONG STRIKE HAD
CAUSED PERMANENT DAMAGE TO THE PLANTATIONS. A
UNITED OFFICIAL CLAIMS THAT IT WILL TAKE SEVERAL
MORE WEEKS TO ESTIMATE THE FINANCIAL LOSS CAUSED
BY THE STRIKE.
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